



Tuesday 7 May, 2013

Paul Hickey
General Manager
Ballina Shire Council

Via email: phickey@ballina.nsw.gov.au

Dear Paul,

RE: Ballina Shire Council Procurement Policy

The Board of Directors of Ballina Chamber of Commerce and Industry has resolved to make this submission to Ballina Shire Council concerning Council's tendering and purchasing policies.

As Council is no doubt aware, small local businesses play a very important role in employing local people and purchasing locally provided goods and services. These local businesses and employees also make a significant contribution to the rate base that underpins Council's financial sustainability. Furthermore, the money spent locally by these local businesses and their employees in turn provides wider support to our economy and helps to create more jobs.

However, this "multiplier effect" within our local economy is completely lost when local money is spent outside the Ballina Shire. Ballina Shire Council's Tenders and Quotations Evaluation Criteria document seems to acknowledge this effect stating "Council's preference is to purchase goods and services firstly from suppliers within the shire, secondly from within the northern rivers region and finally from outside the region". However there does not seem to be any mechanism within that policy document to compel Council officers to follow Council's stated preference.

By comparison, other nearby local government bodies (e.g. Lismore City Council and City of Gold Coast) do have very robust buy-local policies in place. Consequently, both our local economy and a wide range of small businesses within Ballina Shire (particularly those that operate under strong competition from businesses within the Gold Coast area), are at a significant disadvantage.

As a key representative of local business, BCCI considers this situation to be unsatisfactory and we believe there is now an urgent need for Council to review its policies and play a leadership role in supporting our local economy.

In order to place our local suppliers on a similar footing to that of neighboring LGA the Chamber requests that Council considers local content as an assessment criterion in all of its purchases and tenders. We suggest this could be introduced along the following lines:

1. Apply a "Local Content" criterion with a weighting of 15% within the overall tender/purchase assessment weighting
2. Assign a "Local Content" score of 15/15 to any small businesses based within Ballina Shire

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3. Assign a score of 10/15 to businesses that are based elsewhere but at the time of tender/quotation have an established office within the Ballina LGA
4. Assign a score 5/15 to businesses that at the time of tender/quotation are based in an adjoining local government area or have an established office within an adjoining local government area
5. Assign a score of 0/15 for all other businesses
6. Purchases not assessed using a weighting process may simply attract a 20% local supplier preference in order to address the multiplier.

While we recognise that in some circumstances this may result in Council paying slightly more for goods or services, there are already occasions where this occurs when Council is applying a range of other non-price criteria. Nevertheless, in order to address concerns relating to quality and value for money, it is suggested that Council officers could be encouraged to more aggressively negotiate with local businesses on pricing and product/service specifications.

To further assist local businesses, it is also requested that Council more actively engages in the provision of frank and comprehensive feedback to businesses whose quotations/ tenders are unsuccessful. As a significant purchaser of goods and services within the LGA, Council is in a position to play a key leadership role by supporting local small businesses and helping to make our economy stronger and more resilient. And, by reducing its reliance on businesses that lie outside the LGA, Council will also be helping to:

- Provide extra incentive for new businesses to invest in the Ballina LGA
- Encourage existing local businesses to expand
- Create greater diversity in the range of businesses within the LGA
- Reduce transportation inputs and thereby minimise Council's carbon footprint.

The Chamber requests that Council's procurement policies be reviewed in consultation with the other two chambers and the whole of the business sector within Ballina Shire as a matter of priority.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Nadia Elliott-Burgess', is written over a light blue horizontal line.

Nadia Elliott-Burgess
Executive Officer

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POLICY NAME: PROCUREMENT POLICY

POLICY REF: T01

MEETING ADOPTED: 24 March 2011
Resolution No. 240311/22

POLICY HISTORY:



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OBJECTIVE

The objectives of this policy are to:

- Provide direction in respect to the selection of evaluation criteria and weightings for the assessment of quotations and tenders
- Ensure conformity to procurement evaluation processes
- Provide a fair and equitable basis for evaluations to promote competition and to
- Provide support for local suppliers.

BACKGROUND

As a public authority council is required to comply with legislation in respect to its procurement of goods and services (i.e. Local Government Act and Regulations, Trade Practices Act). Often compliance requires council to call for quotations or tenders that result in more than one response being received. The responses must then be evaluated against each other.

There is a range of criteria and weightings that can be applied in an assessment process and it is important that Council staff and consultants receive direction from the elected Council in setting those criteria and weightings.

It is agreed that it is not possible to provide clear direction on all situations that may arise however this policy provides broad parameters to assist in the criteria and weightings selection process.

Council also wishes to support local suppliers and thresholds are outlined in this policy to assist Council staff, consultants and Councillors determine when it is appropriate to provide preference to a local supplier.

DEFINITIONS

Criterion / Criteria An attribute / characteristic that is comparable across a range of suppliers for a particular good or service. Normally at least three criteria will be applied to assist in comparing suppliers.

Local A supplier is defined as local when they have a business office located within the Ballina Shire local government area.

Quotation An estimated price provided by a supplier for the supply of goods or services. Quotations are typically sought for purchases under \$150,000 (inclusive of GST) in value. The seeking of the quotation may be through an advertised process or by contacting suppliers directly.

Tender An advertised process for the supply of goods or services which must be conducted in accordance with the Local Government Act. This typically relates to a contract which has a value of over \$150,000 (inclusive of GST).

Weightings The percentage weighting given to each criterion in the assessment process.

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SCOPE OF POLICY

This policy applies to:

- All council staff involved in the procurement process
- Any contractors or consultants appointed by Council to assist with procurement
- Councillors

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Local Government Act 1993
- Local Government (General) Regulations 2005
- Tendering Guidelines for NSW Local Government 2009
- Trade Practices Act 1974

In addition to this documentation bodies such as the NSW Division of Local Government, NSW Ombudsman, Independent Commission Against Corruption (ICAC) and the Australian Competition and Consumer Commission (ACCC) are all in a position to monitor local authorities to ensure that any procurement process complies with all relevant legislation.

POLICY

Council is committed to providing best value services to the community. Importantly best value does not always mean lowest price as there are many other factors that need to be considered in selecting a provider of goods or services. These factors include variables such as relevant experience, financial resources, local knowledge, impact on the local economy and legislative responsibilities.

Council's preference is to purchase goods and services firstly from suppliers within the Ballina Shire, secondly from adjoining local government areas (LGAs) due to the high level of interdependence between the LGAs, thirdly from the balance of the LGAs in the Northern Rivers region and finally from outside the region.

Due to legislation such as the Trade Practices Act, the purpose of which is to enhance the welfare of Australians through the promotion of competition and fair trading and provides for consumer protection, it is important that council only supports local suppliers where Council is of the opinion that it can support such a selection.

With these comments in mind Council has developed a local supplier preference, along with a selection criteria and weightings matrix to assist Council determine the best value procurement of goods and services.

The responsibility for the selection of the criteria and weightings for a quotation or tender assessment will rest with Council staff and / or consultants overseeing the procurement process, subject to any matters reported to the elected Council for determination. The matrix provided is to be used as a guide only, although where the matrix is not applied in a quotation / tender process, the reasons why should be documented as part of that process.

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Local Supplier Preference

Council policy is to support local suppliers where we consider that the benefits of that support to our local economy outweigh any additional costs incurred in the procurement of the goods and services. The thresholds we have determined for providing that local support are as follows:

For purchases up to \$50,000 (GST inclusive) – Local suppliers will be provided a 5% concession when comparing prices. This 5% is applied by deducting 5% of the purchase price for the local supplier when comparing this price to a non – local supplier. This calculation is to be based on the figures being GST inclusive.

For purchases over \$50,000 (GST inclusive) – Local suppliers will be given a 5% margin in comparing suppliers using a weighting criteria out of 100. The 5% figure will be deducted from the score provided to the non – local supplier for the purposes of this comparison (eg. If a non – local supplier has an overall score of 85%, once the 5% margin is deducted the net score is 80%).

Council has selected a concession / margin of 5% as it is considered to provide a reasonable, yet balanced, advantage to local suppliers to reflect the benefits that procuring goods and services from local suppliers can bring to the Ballina Shire economy.

The 5% also reflects that local suppliers already have an advantage in the Tender Evaluation Criteria and Tender Evaluation Matrix that follow, as the criterion of social and community includes an assessment of factors such as knowledge of and social impact on the local economy.

The 5% benchmarks are provided as a guide only and any decision is to be based on a determination as to what is the best value outcome for the Ballina Shire.

Tender Evaluation Criteria

The following table identifies criteria that are considered to be relevant factors in determining the public benefit to be derived through a procurement process. The criteria listed are not considered to be exhaustive, although it would be unusual for criteria outside those listed to be used in an evaluation.

Criteria Description	Full Criteria
Tender Price	<ul style="list-style-type: none">• Comparison of tenders received• Comparison of benchmarks• Analysis of individual tendered items
Sustainability	<ul style="list-style-type: none">• Contractor's Environmental Policy/Environmental Management Plan• Contractor's sustainability record• Waste minimisation record• Level of pollution created and / or habitat destruction• Level of recycled content• Ability to recycle products
Capability	<ul style="list-style-type: none">• Demonstrated capability to perform the works as specified.• Ability to perform contract within overall workload.• Current work load• Technical skills

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Criteria Description	Full Criteria
	<ul style="list-style-type: none"> • Appropriate resources (including condition of plant) • Assessed capacity to complete the project satisfactorily and on time • Compliance with tender specification
Relevant Experience	<ul style="list-style-type: none"> • General performance history • Experience with contracts of a similar nature / similar projects • Profile and experience of staff in relevant field of expertise
Management & Financial	<ul style="list-style-type: none"> • The financial capacity of the tenderer measured against the contract requirements • Level of Council supervision required • Management skills • Whole of life cost • Financial Stability - Period of time operating in current business • Ability to manage projects within budget and maintain accurate accounting records
Compliance with Quality & Safety Plan	<ul style="list-style-type: none"> • Level and detail of quality plan • Minimum standards of safety plan. • Reporting procedures
Methodology	<ul style="list-style-type: none"> • Proposed process and approach • Research and data base development system proposed • Transition plans for continuity of services
Social & Community	<ul style="list-style-type: none"> • Knowledge of local conditions • Social impact on local economy • Level of Australian content • Consultation and community communication process strategies • Demonstrated ability to meet and work co-operatively with committees and community groups
Innovative Work Practices	<ul style="list-style-type: none"> • Proposed new methodologies. • Proposed cost savings. • Environmental impact

Tender Evaluation Matrix

Council policy is to provide a higher weighting on tangible factors, such as price, for the delivery of goods that are relatively homogenous, which will then typically be operated by Council staff (i.e. plant and machinery). The reason for this is that this type of purchase is considered to be relatively low risk due to the product's homogenous nature. However, where there are far greater variables in the products or services to be delivered, it is important that any evaluation place a higher weight on those other variables in an attempt to reduce the variability and also minimise any risk to council.

The following matrix reflects these policy comments.

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Standard product or good	Refers to a product or good that is well tested in the market place and is utilised by many other organisations.	Relatively low risk - risk level can increase as price increases	Tender Price Sustainability Capability Relevant Experience	50% to 100% 0% to 20% 0% to 30% 0% to 30%

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Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Construction contract valued at under \$150,000	Contract focuses on delivery of the construction works	Low Risk - Essential to ensure works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 75% 5% to 15% 5% to 25% 5% to 25% 5% to 15% 5% to 15%
Construction contract valued at over \$150,000 and less than \$1 million	Typically a contract requiring a limited level of professional input combined with construction works	Medium Risk - Essential to ensure time lines and budget met and works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	0% to 50% 5% to 15% 5% to 25% 5% to 25% 5% to 25% 5% to 25% 0% to 10%
Construction contract valued at over \$1 million	Typically a contract requiring a wide range of professional input combined with significant construction works	High Risk - Strict project oversight required to minimise budget and deliver contract on time	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 15% 5% to 25% 5% to 40% 10% to 40% 5% to 25% 0% to 10% 0% to 20% 0% to 10%
Construction contract valued at over \$1 million, with preliminary ROI process	Typically a larger, more complex contract requiring a wide range of professional input combined with significant construction works	ROI - Potential High Risk for numerous components of contract	Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	5% to 15% 5% to 25% 5% to 40% 10% to 25% 5% to 25% 0% to 10% 0% to 20% 0% to 10%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Management	Refers to a contract where the contractor	Medium to high risk -	Tender Price	0% to 40%

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Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
contract	manages a facility for Council (i.e. camping ground)	highly dependent on staff appointed to deliver the contract	Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	5% to 15% 5% to 40% 5% to 25% 5% to 25% 5% to 15% 0% to 10%
Lease / Licence	Where a supplier is submitting a price to access a Council service or resource (i.e. commercial activity)	Medium to high risk - highly dependent on experience and track record of proposed service provider	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology	0% to 50% 5% to 15% 5% to 45% 5% to 25% 5% to 40% 5% to 15% 0% to 10% 0% to 10%
Consultancy contract under \$150,000	Consultancy required a limited range of professional input	Low Risk - Essential to ensure timeline and budgets are met	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Methodology	0% to 60% 0% to 15% 5% to 25% 5% to 25% 5% to 10% 0% to 10% 0% to 10%
Consultancy contract valued at over \$150,000	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high level of innovation	Medium to High Risk - Essential to ensure project team satisfy the specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community Methodology Innovative Work Practices	0% to 40% 0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%
Consultancy contract valued at over \$150,000, with preliminary	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high	Medium to High Risk - Essential to ensure project team satisfy the specification	Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community	0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10%

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Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
ROI process	level of innovation		Methodology Innovative Work Practices	0% to 20% 0% to 20%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Service delivery contract under \$150,000	Service contract that is typically for a limited period of time or for spasmodic periods	Low Risk - Essential to ensure service delivered	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 60% 5% to 15% 5% to 25% 5% to 25% 5% to 10% 5% to 10%
Service delivery contract valued at over \$150,000	Service contract involving the provision of a service that often covers more than one year	Medium to High Risk - Essential to ensure service delivered on time and on a long term basis	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%

State Government Contracts and Local Government Procurement

A number of contracts are available from through tenders completed by the NSW State Government and Local Government Procurement (LGP), with LGP being fully owned by the NSW Local Government and Shires Association.

Council supports the use of State Government Contracts and LGP due to the reduction in administrative costs and the benefits typically achieved through bulk purchasing.

Where purchases are conducted through these organisations Council accepts that criteria different to that outlined in this policy may have been utilised.

REVIEW

This policy is to be reviewed every four years.